
NEW QUEBEC RAGLAN
MINES LIMITED

ANNUAL REPORT — 1978

NEW QUEBEC RAGLAN
MINES LIMITED

HEAD OFFICE	40th Floor, Commerce Court West Toronto
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DIRECTORS	P.-E. Auger * Quebec
	T. J. Desanti Toronto
	J.-H. Gagné * Quebec
	L. C. Kilburn Toronto
	G. P. Mitchell * Toronto
	T. F. Pugsley Toronto
	* Member of Audit Committee

OFFICERS	L. C. Kilburn President
	T. F. Pugsley Vice-President
	W. R. Robertson Secretary
	N. H. Witherell Treasurer
	J. O. Kachmar Controller

AUDITORS	Thorne Riddell & Co. Toronto
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REGISTRAR AND TRANSFER AGENT	Crown Trust Company 302 Bay Street Toronto
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ANNUAL MEETING	Friday, June 29, 1979 11:00 a.m. (Toronto Time) – York Room Royal York Hotel, Toronto, Ontario
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NEW QUEBEC RAGLAN MINES LIMITED

P.O. BOX 40, COMMERCE COURT WEST,
TORONTO, ONTARIO, CANADA M5L 1B4

REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS:

The Company's wholly-owned subsidiary, Raglan Quebec Mines Limited, holds mineral exploration permits totalling 300 square miles and 157 claims located in the Ungava Region of Quebec.

Topographical maps have been completed, based on the 1977 airborne photographic survey. Detailed geological mapping to correlate existing surface and underground data has not yet been initiated.

The depressed state of world prices and demand for nickel has begun to moderate. A review of previous feasibility studies will be made during 1979 in light of any changes in the nickel marketing situation.

The Consolidated Financial Statement of the Company and its subsidiary, Raglan Quebec Mines Limited, for the year ended December 31, 1978 are included in this report.

Ore Reserves

Ore reserves did not change during the year and are estimated, including dilution, as follows:

	Tons	Grade	
		% Ni	% Cu
Donaldson Mine — Underground Exploration			
Well assured reserves	3,021,000	3.06	0.73
Katiniq Deposit — Surface Drilling			
Indicated by closely spaced holes	5,276,000	2.42	0.70
Assumed extension of ore within			
lateral limits of drilling	5,000,000	2.42	0.70
2 - Area — Surface Drilling	660,000	2.43	0.72
Assumed extensions of ore within			
lateral limits of drilling	500,000	2.43	0.72
3 - Area — Surface Drilling	1,093,000	2.81	0.69
Assumed extensions of ore within			
lateral limits of drilling	500,000	2.81	0.69
	<u>16,050,000</u>	<u>2.58</u>	<u>0.71</u>

On behalf of the Board of Directors,

L. C. KILBURN,
President.

June 7, 1979.

NEW QUEBEC RAGLAN

(Incorporated under the laws of the Province of Quebec)

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS

	1978	1977
Cash and short term securities, at cost which approximates market value .	\$ 41,471	\$ 107,634
Accounts receivable	18,523	8,256
	<u>59,994</u>	<u>115,890</u>

FIXED ASSETS

Mineral exploration licences and staked claims in the Cape Smith-Wakeham Bay area of Ungava, Quebec, at cost	81,000	81,000
Buildings and prospecting equipment, at nominal value	1	1
	<u>81,001</u>	<u>81,001</u>

DEFERRED EXPENDITURES

Exploration, development and other expenditures deferred (notes 2 and 4)	28,523,992	28,464,157
	<u>\$28,664,987</u>	<u>\$28,661,048</u>

AUDITOR'S REPORT

To the Shareholders of
New Quebec Raglan Mines Limited

We have examined the consolidated balance sheet of New Quebec Raglan Mines Limited as at December 31, 1978, and the statement of development and other expenditures deferred and changes in financial position for the year ended December 31, 1978, in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary.

Recovery of exploration, development and other expenditures deferred is uncertain.

In our opinion, subject to the effects, if any, on the financial statements of the company of the uncertainties mentioned above, the financial statements present fairly the financial position of the company as at December 31, 1978, and the results of its operations for the year ended in accordance with generally accepted accounting principles applied on a basis of consistency.

Toronto, Canada
January 16, 1979

NICKEL MINES LIMITED

(Incorporated under the laws of Ontario)

STATEMENT AS AT DECEMBER 31, 1978

LIABILITIES

CURRENT LIABILITIES	1978	1977
Accounts payable and accrued liabilities	\$ 3,390	\$ 234

MINORITY INTEREST

Preferred shares of subsidiary company issued to Falconbridge Nickel Mines Limited (notes 2 and 3)	17,395,916	17,395,174
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SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized – 8,000,000 Shares of \$1 each		
Issued – 7,763,871 Shares (1977 – 7,760,294 shares) (notes 2 and 5) ...	7,763,871	7,760,294
Amount representing exploration expenditures made by Falconbridge Nickel Mines Limited for which shares are to be issued (note 2)	41	7,333

PREMIUM ON SHARES	7,382	3,626
	7,771,294	7,771,253

CONTRIBUTED SURPLUS ARISING FROM REDUCTION OF CAPITAL in 1965	2,197,496	2,197,496
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RETAINED EARNINGS	1,296,891	1,296,891
	11,265,681	11,265,640
	<u>\$28,664,987</u>	<u>\$28,661,048</u>

Approved by the Board

L. C. Kilburn, Director

J.-H. Gagné, Director

REPORT

Nickel Mines Limited as at December 31, 1978 and the consolidated statements of exploration, then ended. Our examination was made in accordance with generally accepted auditing standards in the circumstances.

There is no change in the circumstances.

in, as explained in note 4.

In view of the material resolution of the matter referred to in the preceding paragraph, these consolidated statements of exploration for 1978 and the results of its operations and the changes in its financial position for the year then ended are consistent with that of the preceding year.

THORNE RIDDELL & CO.
Chartered Accountants

NEW QUEBEC RAGLAN MINES LIMITED

CONSOLIDATED STATEMENT OF EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES DEFERRED Year Ended December 31, 1978

Exploration	1978	1977
Direct costs		
Geological expenses	\$ 742	\$ 134,145
Indirect costs		
Property maintenance	45,791	85,724
	<u>46,533</u>	<u>219,869</u>
Financing		
Value assigned to shares of company issued or to be issued as additional consideration to Falconbridge Nickel Mines Limited for making expenditures on subsidiary company's property (note 2)	41	7,333
Administrative	27,716	17,791
Total expenditures for the year	<u>74,290</u>	<u>244,993</u>
Deduct		
Proceeds from sale of equipment	10,000	
Proceeds from insurance claim		91,350
Interest earned	4,455	4,709
	<u>14,455</u>	<u>96,059</u>
NET EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES	59,835	148,934
EXPENDITURES DEFERRED AT BEGINNING OF YEAR	28,464,157	28,315,223
EXPENDITURES DEFERRED AT END OF YEAR (note 4)	<u>\$28,523,992</u>	<u>\$28,464,157</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION Year Ended December 31, 1978

WORKING CAPITAL DERIVED FROM	1978	1977
Preferred shares of subsidiary company issued or to be issued for exploration expenditures	\$ 742	\$ 134,145
Shares of company issued or to be issued for expenditures on the subsidiary company's property	41	7,333
	<u>783</u>	<u>141,478</u>
WORKING CAPITAL APPLIED TO		
Net exploration, development and other expenditures	59,835	148,934
DECREASE IN WORKING CAPITAL	59,052	7,456
WORKING CAPITAL AT BEGINNING OF YEAR	115,656	123,112
WORKING CAPITAL AT END OF YEAR	<u>\$ 56,604</u>	<u>\$ 115,656</u>

NEW QUEBEC RAGLAN MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 1978

1. BASIS OF CONSOLIDATION

These financial statements include the accounts of the company and its subsidiary company, Raglan Quebec Mines Limited (No Personal Liability).

2. EXPLORATION AND DEVELOPMENT AGREEMENTS

In accordance with agreements entered into with Falconbridge Nickel Mines Limited, Falconbridge undertook exploration and development work on the subsidiary company's properties. As consideration Falconbridge receives:

One share of \$1 par value of the subsidiary's redeemable, cumulative preferred shares for each \$1 of expenditures and

One share of New Quebec Raglan Mines Limited for each \$37.50 of expenditure.

Prior to 1977 the company recorded the issuance of its shares at \$15 and \$12 per share which were the approximate fair market values of the shares at the dates of signing the prior agreements. Shares issued pursuant to a new agreement dated January 1, 1977 are to be issued at \$2.05 per share which is the approximate fair market value at that date. Pursuant to the agreements, Falconbridge incurred expenditures for which shares have been issued or are to be issued as follows:

	Expenditures	Preferred shares of subsidiary — par value	Shares of company — number
Total at January 1, 1977	\$17,261,029	\$17,261,029	260,294
1977	134,145	134,145	3,577
1978	742	742	20
Total at December 31, 1978	<u>\$17,395,916</u>	<u>\$17,395,916</u>	<u>263,891</u>

Falconbridge has the right under the agreements to continue exploration and development on the properties, expend further amounts thereon up to \$2,604,084 and receive as consideration preferred shares of the subsidiary company at par value and in addition one share of the company's capital stock for each \$37.50 of such expenditure.

The tax benefits with respect to these expenditures are claimable by Falconbridge and are not claimable by the subsidiary company.

3. ARREARS OF DIVIDENDS

Arrears of dividends on the cumulative preferred shares of the subsidiary company amount to \$10,166,640 at December 31, 1978 and \$8,954,966 at December 31, 1977. The subsidiary company has agreed that it will not pay dividends on its common shares or make any other payments to its common shareholders until all of its third preferred shares are redeemed.

4. EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES DEFERRED

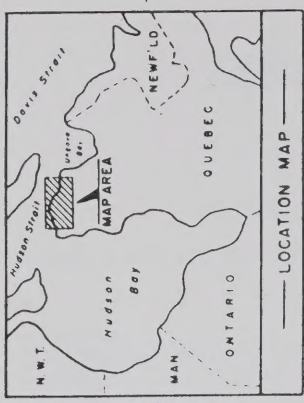
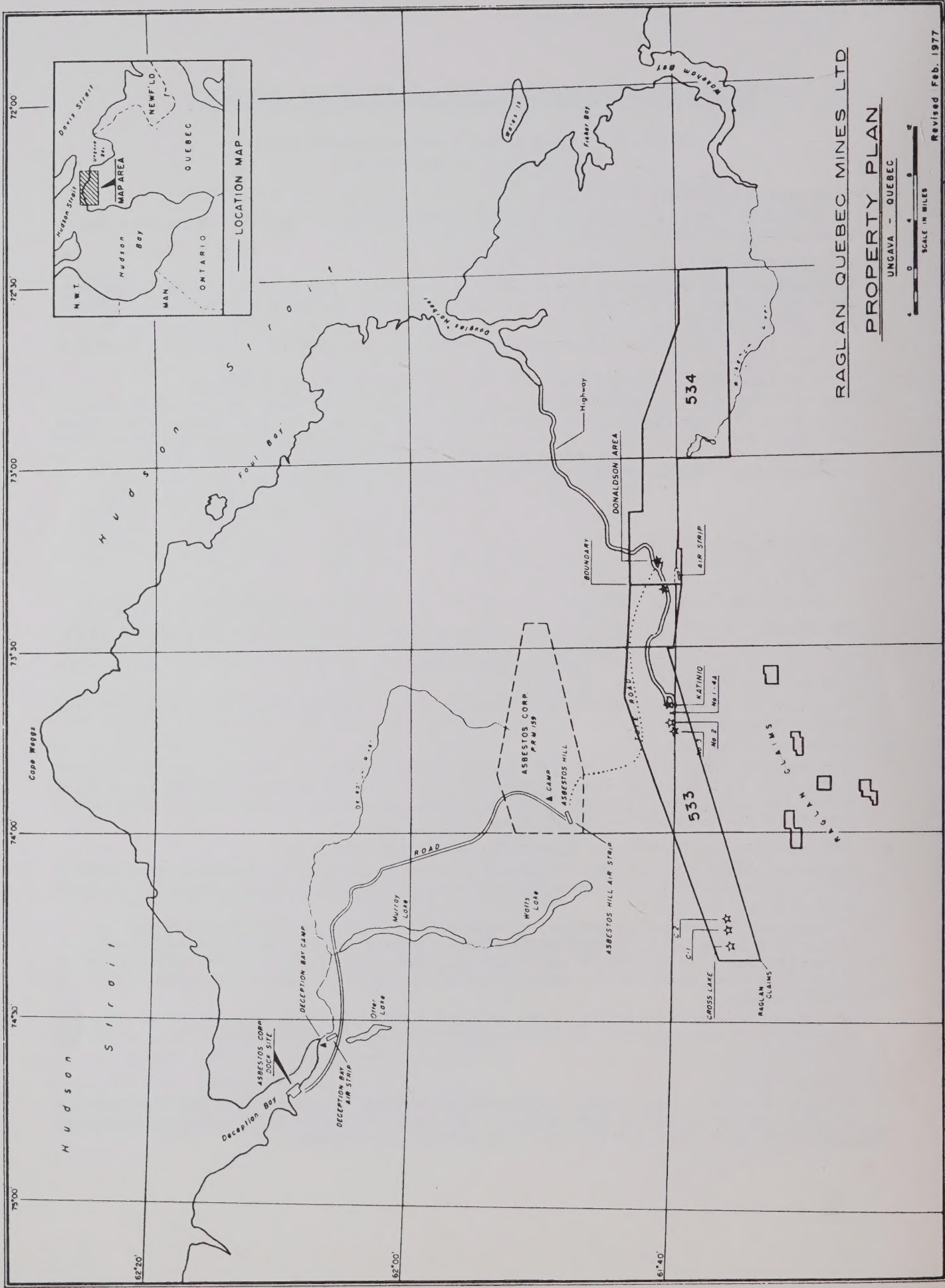
Exploration, development and other expenditures amounting to \$28,523,992 at December 31, 1978 (1977, \$28,464,157) represent costs incurred in development of properties of the subsidiary company in the Cape Smith-Wakeham Bay area.

Development work on these properties was suspended in 1971. Feasibility studies indicate that recovery of these costs through future mining operations is dependent upon (a) substantial increases in the present world nickel prices; (b) the ability to raise sufficient capital financing; (c) the successful development of an economic mining operation; (d) marketing of production; and (e) maintaining the permits and licences in good standing.

Because of the world's current over-supply of nickel it cannot be predicted with certainty when the expenditures on the properties will be recoverable by charges against income from future mining operations.

5. CAPITAL STOCK

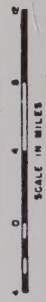
During the year the company issued 3,577 shares to Falconbridge Nickel Mines Limited at \$2.05 per share pursuant to the new agreement dated January 1, 1977. Of the proceeds of \$7,333, \$3,577 was credited to capital stock and the balance of \$3,756 was credited to premium on shares.



RAGLAN QUEBEC MINES LTD

PROPERTY PLAN

UNGAVA - QUEBEC



Revised Feb. 1977

